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July 29, 2005

Ms. Dorcas Hardy, Chair  
Policy Committee  
White House Conference on Aging 2005  
1 Massachusetts Avenue NW  
Washington, DC 20001

Dear Ms. Hardy:

On behalf of the White House Conference on Aging (WHCOA), the U.S. Chamber of Commerce's Center for Workforce Preparation (CWP), the Labor, Immigration & Employee Benefits Division (LIEB) and the John J. Heldrich Center for Workforce Development at Rutgers University organized a pre-WHCOA event on June 15, 2005 titled "*Voice of Business on the Mature Workforce*." This event changed the discussion on aging by adding the business perspective to the development of recommendations that WHCOA will present to the White House following its December 2005 national conference. The enclosed summary of our event offers four recommendations to the Conference as it considers opportunities for mature workers in the workplace of the future.

This year's conference takes place as the concerns of older workers are gaining nationwide attention. The U.S. Bureau of Labor Statistics estimates that the number of individuals aged 55 or older in the workforce will increase from 18.4 million in 2000 to 31.8 million in 2015. Further, given significant increases in longevity and a decline in birthrates, the number of current workers supporting the population of individuals over age 65 has declined from 7 to 1 in 1950, to 5 to 1 in 2000, and is projected to decline further to 3 to 1 by 2050. In addition, today's aging population is very diverse, encompassing people with a wide variety of education and skill levels, income, ethnic and racial characteristics as well as attachment to the labor force over time. For many older Americans, poverty and a lack of private retirement benefits are a reality. These demographics present extraordinary challenges for the United States, both today and in the future, in terms of its economy, workforce, social and health insurance programs, and competitiveness in a global economy.

At our June 15 event, over 100 executives from business, chamber, association and nonprofit organizations discussed their business perspectives and policies on mature

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CENTER FOR WORKFORCE PREPARATION

An Affiliate of the U.S. Chamber of Commerce  
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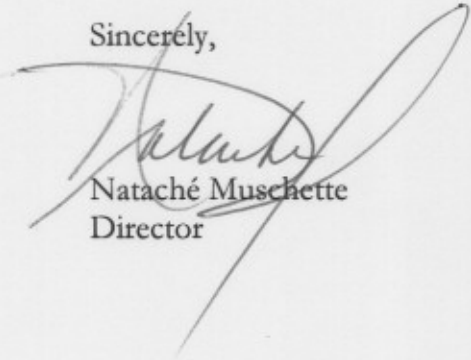
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workers. These leaders are actively involved in addressing workforce development issues in their communities and understand the importance of a skilled workforce to the nation's economy. Nationally recognized experts such as Susan Meisinger, president and CEO of Society for Human Resource Management (SHRM); Bill Novelli, president and CEO of AARP; Ken Dychtwald, president of Age Wave; The Honorable Larry Craig (R-ID), former chair of the U.S. Senate Special Committee on Aging; and Steve Law, deputy secretary of the U.S. Department of Labor, presented their innovative and futuristic ideas on both the older worker options and the policies that will need to be put in place to support those options.

The first part of our pre-conference event focused on employment and education options for older workers and employers, especially those that will provide a planned transition of retiring worker knowledge and skills. The second half of the event explored pensions and health care policy by studying their impact on employers that hire older workers and seniors seeking employment. The attached policy recommendations were developed using the Meridia Audience Response Polling system. Over 100 executives were asked and answered questions regarding their top 50 recommendations for effective change and opportunities for mature workers in the workplace of the future.

We recognize that the first Conference on Aging of the 21st Century is a significant opportunity to address the issues of today's seniors, and to focus on the 78 million baby boomers whose aging will change the face of America. The U.S. Chamber of Commerce and its partners are pleased to contribute to the development of 55 policy recommendations for consideration by the President and Congress. Again, thank you for the opportunity to participate in this important dialogue.

Sincerely,



Nataché Muschette  
Director

**Name of Event:** "The Voice of Business on the Mature Workforce"

**Date of Event:** June 15, 2005

**Location of Event:** U.S. Chamber of Commerce, 1615 H Street, NW,  
Washington, D.C. 20062

**Number of Persons  
Attending:** 100

**Sponsoring  
Organizations:** Center for Workforce Preparation  
Labor, Immigration and Employee Benefit Division  
U.S. Chamber of Commerce  
  
AARP, Society for Human Resource Management, Monster,  
American Public Transportation Association, CVS/Pharmacy,  
Spherion, John J. Heldrich Center for Workforce  
Development at Rutgers, The State University of New Jersey,  
Meridia Audience Response

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## **Priority Issue #1: Flexibility in Retirement Plan Design and Management**

Preserving and enhancing the private retirement system in the United States is important to the long-term financial security of the nation's ever-increasing older population, and to the ability of companies to remain competitive. A viable and workable national retirement income policy is not possible unless American employers have the flexibility to choose a retirement plan that is right for its business and workers.

Almost half of all American employers provide retirement benefits voluntarily to their employees. Today, traditional defined benefit pension systems help millions of Americans achieve retirement security by providing voluntary employer-funded retirement income that is guaranteed for a lifetime. These plans also provide employers with strong financial incentives that can be used to attract and retain talented workers. As of 1999, nearly 19 million retirees were receiving benefits from defined benefit plans with over \$119 billion in benefits paid out in that year alone. Given the low American personal savings rate, and the modest balances in American 401(k) plans, many U.S. workers rely on defined benefit plans for much of their financial security in their retirement years. But, as businesses and worker demographics change, employers are finding that their retirement plans, especially traditional defined benefit plans, need to change with the times.

### **Barriers:**

Over the past year, more large employers have resorted to the termination or freezing of employer pension plans. In a study released in June 2005 by Wyatt Worldwide, about 11% of America's 1,000 largest companies offering traditional pensions terminated their plans or froze accrual of new benefits to workers in 2004, up from 7% in 2003. Nearly two-thirds of these large companies still sponsored pension plans, but 71 froze or terminated plans last year. While employers are increasingly exiting the traditional defined benefit system for a variety of reasons, many policymakers, employers, and government officials agree that inaction in addressing this need, as well as a lack of legal clarity and flexible solutions to retirement plan design, are large barriers to moving forward.

### **Proposed Solutions:**

As the workplace, the economy, and businesses change, employers need more, rather than less, flexibility in the design and management of private pension plans, including support for new and possibly emerging "hybrid" defined benefit plans. Currently designed hybrid plans are viable solutions that offer defined benefit pensions that also incorporate features of defined contribution plans. They also offer the security of employer funding and assumption of investment risk, but with federal guarantees and required lifetime and spousal benefit options. Under Cash Balance Plans, employers provide annual pay credits to an employee's hypothetical account and interest credits on the account balance. Under Pension Equity Plans, employers provide credits for each year of service and these credits are multiplied by an employee's final payout to produce a lump-sum figure. Overall, cash balance and other hybrid plans are increasingly an important part of the defined benefit plan system and should be clarified and strongly endorsed.



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**Priority Issue #2:     Removal of unnecessary and burdensome rules and regulations in the private pension system**

Over the past year, serious concerns about the long-term solvency of private defined benefit pension plans — along with a desire to promote and strengthen private benefit plan sponsorship by business — have prompted legislative and executive branch interest. Recent attention to the aging workforce and a looming Social Security and pension crisis offers a unique opportunity to undertake meaningful pension reform to strengthen employer-sponsored retirement systems, and thus offer considerably more American families the stability that such plans provide. The value of employer-sponsored benefit plans to many American families is undeniable. A recent Heldrich Center (2005) study of American workers found that employees look to employer-sponsored pension plans for important financial support following retirement. It is clear that certain demographic and economic factors are changing the way Americans view retirement and work — factors that now require a new way of thinking and new public policies that appropriately address these changes

**Barriers:**

At present, pension reform and solvency are not yet possible but can still be achieved. Close to half of American employers offer voluntary retirement plans, and a majority would like to continue doing so. However, most employers feel restrained by pension and benefit regulations that get in the way. As debate continues on legislation and tax code issues, the business community is concerned that it will face increases in paperwork, reporting, and required payments through passage of new mandatory requirements and more unnecessary rules. Less flexibility and more complexity will only lead more businesses to abandon defined benefit plans, which is clearly not in the best interest of either the retirees or their companies. A significant obstacle to finding workable solutions is the failure to give American businesses enough flexibility, customization, and responsiveness to offer employees a retirement plan that balances the needs of employers and older workers.

**Proposed Solutions:**

For employers, addressing current disincentives, cumbersome paperwork, and removing unnecessary rules and regulations is a solution. Changes and adjustments need to be made to IRS, ERISA, and Social Security rules that match the reality of today's aging workforce and global business environment. Simplifying administrative and compliance requirements is a much needed step. For example, at present benefit plan sponsors are required to provide many different notices to participants. Streamlining these requirements would alleviate significant administrative burdens for employers. In addition, filing requirements are currently onerous and inflexible. Efforts need to be made to make filing requirements (such as paper vs. electronic) more flexible, rather than less.

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### **Priority Issue #3: Encourage the Implementation of Phased Retirement Programs**

As the baby boom generation enters retirement age, the traditional concept of retirement from work is changing. Recent surveys by Watson Wyatt (2004), AARP (2004), the MetLife Foundation/Civic Ventures (2005), and the Heldrich Center for Workforce Development (2005) show that American workers no longer believe in the work-save-retire model. Even when older workers retire, they are likely to continue working. As the demographics show, Americans will be living longer, healthier lives and therefore will be able to work longer. Consequently, many older workers are looking to make a gradual transition into full retirement by reducing their hours or job responsibilities. This gradual retirement arrangement is called "phased retirement" and has come to mean enabling older workers, through an arrangement with their employer, to reduce their work hours and responsibilities while maintaining certain full-time benefits.

#### **Barriers:**

Interest in phased retirement as an option for older workers is growing among both workers and employers, but a gap exists between what workers want and what employers choose to offer. According to the 2004 Watson Wyatt survey, more than 60% of surveyed workers are interested in working fewer hours late in their careers, but less than half expect their employers to provide this flexibility. On the employer side, a 2005 survey by the Society for Human Resource Management noted that the majority of surveyed organizations had made few or no changes to prepare for worker shortages due to baby boomer retirements, such as offering phased retirement, bridge employment, or reducing work hours. Several barriers exist that discourage phased retirement alternatives from becoming more widely accepted and implemented. These include but are not limited to pension regulations that currently prohibit defined benefit plans from offering payment benefits before normal retirement age, Social Security rules and incentives that discourage many employees from continuing work beyond traditional Social Security retirement age parameters, as well as employer and employee fears and confusion about the details of phased retirement.

#### **Proposed Solutions:**

For many mid-career workers and pre-retirees, as well as employers facing labor and talent shortages, phased retirement is a solution. Federal rules and regulations should be changed or established that allow phased retirement benefits to be implemented for employees of any age, years of service, or combination of age and service — under the terms of an employer's voluntary retirement plan. Possible changes in federal rules and regulations include increased flexibility in several significant areas such as 1) an employer's ability to modify a phased retirement program, allowing employers to adapt to changing economic and/or demographic trends, 2) in the age eligibility for early retirement under employer plans, so that any employees (i.e., those under the age of 59 1/2) eligible for early retirement may elect phased retirement, and 3) in the determination of the form of benefit distribution, including allowing lump-sum distributions.

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**Priority Issue #4: Create a National Bipartisan Commission on Aging and the Workforce**

The demographics and economic situation of the aging American workforce present special challenges for U.S. employers, workers, policymakers and communities. The significant challenges that demand ongoing national attention include: 1) how to maximize ongoing workforce training and preparation opportunities for an aging population that effectively balances the requirements of employers and the income and civic/social engagement of older persons; 2) how to enable older workers with less skills and education (many of whom lack access to private retirement benefits) to participate in the labor force, especially with small and medium-sized employers in the high-growth, high-demand service sector; 3) how to systematically engage mid-career and older Americans in career counseling as well as lifetime learning and skill enhancement endeavors; 4) how to best make use of current and emerging technology to help older workers remain on the job; 5) how to effectively transform the current outdated education-employment-retirement model, including how to “phase” work and retirement so that older employees may remain active and employed through years of increasing longevity but balanced with knowledge transfer and increasing opportunities for mid-career workers and a more diverse population of younger workers; and 6) how to make workplace opportunities more flexible and desirable, and how to balance the needs of an aging workforce with the needs of employers.

**Barriers:**

Once every decade, the White House Conference on Aging provides an important national forum for addressing aging issues, including mature workers. Providing solutions for these challenges calls for a sustained effort, with an ongoing review of possible alternatives between sessions of the White House Conference on Aging. With the impending retirement of the baby boom generation and the challenges that generational shifts pose for employers and public policymakers, the lack of an organized effort to address these national issues will be a barrier to effective policy solutions.

**Proposed Solutions:**

Responding to the need for longer term attention to this issue should be a bipartisan group of 18 of the nation’s leading experts on older workers — representing the ranks of industry, government, academia, labor, and workforce development — to join together to form a National Bipartisan Commission on Aging and the Workforce. The Commission would be charged with examining the aging workforce in depth, making recommendations to improve opportunities for older workers in the American workplace over the next 10 years and suggesting active demonstration projects that would develop responsive strategies that focus on retirement, re-education and re-careering America’s mature worker population. The Commission’s work would be open to the public, and members would seek ways to keep the public involved and informed. Ten members should be affiliated with the business community. If considered, the U.S. Chamber of Commerce’s Center for Workforce Preparation is posed to develop and direct this Commission with the support of the White House.